

**SEWERAGE DISTRICT NO. 9  
OF THE PARISH OF ST. MARY**

Financial Report

Year Ended September 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/1/09

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# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*

Tynes E. Mixon, Jr., CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA, PFS, CSA\*  
Penny Angelle Scruggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Marshall W. Guidry, CPA  
Alan M. Taylor, CPA  
James R. Roy, CPA  
Robert J. Metz, CPA  
Kelly M. Doucet, CPA  
Cheryl L. Bartley, CPA, CVA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Wanda F. Arcement, CPA  
Kristin B. Dauzat, CPA  
Richard R. Anderson Sr., CPA  
Carolyn C. Anderson, CPA

Retired:  
Conrad O. Chapman, CPA\* 2006  
Harry J. Clostio, CPA 2007

\* A Professional Accounting Corporation

## OFFICES

183 South Beadle Rd. Lafayette, LA 70508 Phone (337) 232-4141 Fax (337) 232-8860	450 East Main Street New Iberia, LA 70560 Phone (337) 367-9204 Fax (337) 367-9208
113 East Bridge St. Breaux Bridge, LA 70517 Phone (337) 332-4020 Fax (337) 332-2867	200 South Main Street Abbeville, LA 70510 Phone (337) 893-7944 Fax (337) 893-7946
1234 David Dr. Ste 203 Morgan City, LA 70380 Phone (985) 384-2020 Fax (985) 384-3020	1013 Main Street Franklin, LA 70536 Phone (337) 828-0272 Fax (337) 828-0290
408 West Cotton Street Ville Platte, LA 70586 Phone (337) 363-2792 Fax (337) 363-3049	133 East Waddil St. Marksville, LA 71351 Phone (318) 253-9252 Fax (318) 253-8681
332 West Sixth Avenue Oberlin, LA 70555 Phone (337) 639-4737 Fax (337) 639-4568	621 Main Street Pineville, LA 71360 Phone (318) 442-4421 Fax (318) 442-9833

WEB SITE:  
[WWW.KCSRCPAS.COM](http://WWW.KCSRCPAS.COM)

## INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors  
Sewerage District No. 9 of the Parish of St. Mary  
Charenton, Louisiana

We have audited the accompanying financial statements of the business-type activities of Sewerage District No. 9 of the Parish of St. Mary (hereinafter "District"), a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year totals presented as comparative information have been derived from the District's financial statements as of and for the year ended September 30, 2007 and in our report dated March 27, 2008 we expressed an unqualified opinion on the financial statements of the business-type activities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of September 30, 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Other Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the other supplementary information.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 5, 2009

## **BASIC FINANCIAL STATEMENTS**

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Balance Sheet  
September 30, 2008

With Comparative Totals as of September 30, 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and interest-bearing deposits	\$ 4,471	\$ 4,447
Restricted assets:		
Cash - contingency, reserve, and sinking funds	34,110	28,262
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>6,730,736</u>	<u>7,098,810</u>
Total assets	<u>\$ 6,769,317</u>	<u>\$ 7,131,519</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of revenue bonds payable	\$ 14,413	\$ 13,780
Noncurrent liabilities:		
Revenue bonds payable	<u>1,003,591</u>	<u>1,018,004</u>
Total liabilities	<u>1,018,004</u>	<u>1,031,784</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,712,732	6,067,026
Unrestricted	<u>38,581</u>	<u>32,709</u>
Total net assets	<u>5,751,313</u>	<u>6,099,735</u>
Total liabilities and net assets	<u>\$ 6,769,317</u>	<u>\$ 7,131,519</u>

*The accompanying notes are an integral part of this statement.*

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended September 30, 2008  
With Comparative Totals for the Year Ended September 30, 2007

	2008	2007
OPERATING REVENUES		
Sewer user and inspection fees	\$ -	\$ 65,178
OPERATING EXPENSES		
Advertising	-	154
Amortization	-	1,613
Assessor's compensation	-	2,001
Collection fees	-	5,784
Depreciation	368,074	367,023
Inspection expense	-	11,438
Insurance	-	4,683
Maintenance expense	-	4,506
Meeting expense	-	1,568
Professional fees	-	5,200
Office supplies	337	390
Utilities	-	20,556
Total operating expenses	368,411	424,916
Operating loss	(368,411)	(359,738)
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes	-	60,090
Intergovernmental	66,112	130,302
Rental income	-	2,242
Interest income	25	158
Interest expense	(46,148)	(46,754)
Net nonoperating revenue	19,989	146,038
Net loss	(348,422)	(213,700)
NET ASSETS, beginning	6,099,735	6,313,435
NET ASSETS, ending	\$ 5,751,313	\$ 6,099,735

*The accompanying notes are an integral part of this statement.*

# SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

## Statement of Cash Flows Year Ended September 30, 2008 With Comparative Totals for the Year Ended September 30, 2007

	2008	2007
<b>OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ -	\$ 87,804
Payments for goods and services	(337)	(115,416)
Net cash used in operating activities	(337)	(27,612)
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Ad valorem tax revenues	-	60,090
Intergovernmental revenues	66,112	7,757
Net cash provided by noncapital financing activities	66,112	67,847
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental capital grants	-	122,543
Principal paid on capital debt	(13,780)	(13,172)
Interest paid on capital debt	(46,148)	(46,754)
Acquisition of capital assets	-	(93,714)
Net cash used in capital and related financing activities	(59,928)	(31,097)
<b>INVESTING ACTIVITIES</b>		
Rent received	-	2,242
Interest received	25	158
Net cash provided by investing activities	25	2,400
Net increase in cash	5,872	11,538
Cash and cash equivalents, beginning	32,709	21,171
Cash and cash equivalents, end	\$ 38,581	\$ 32,709
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (368,411)	\$ (359,738)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	368,074	367,023
Changes in assets and liabilities:		
Receivables	-	22,626
Prepaid expenses and other assets	-	5,846
Accounts payable	-	(63,369)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (337)</b>	<b>\$ (27,612)</b>

*The accompanying notes are an integral part of this statement.*



## SEWERAGE DISTRICT NO. 9. OF THE PARISH OF ST. MARY

### Notes to Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sewerage District No. 9 of the Parish of St. Mary, State of Louisiana (District), which is a component unit of the St. Mary Parish Council, was created by an ordinance dated August 8, 1984 of the St. Mary Parish Council (formerly Police Jury). The District operates under a Board of Supervisors. The purpose of the District is to provide sewerage treatment services to citizens residing within the boundaries of Sewerage District No. 9.

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. On July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

None of the assets or debt obligations of Sewerage District No. 9 existing prior to the assumption of operations by Water and Sewer Commission No. 4 were formally or legally transferred to Water and Sewer Commission No. 4. Accordingly, those items remain the property and/or obligation of Sewerage District No. 9 and any related activity is reported in the current financial statements.

The accounting and reporting policies of the District conform to generally accepted accounting principals as applicable to governments. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit Guide, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

#### Financial Reporting Entity

This report includes all funds, which are controlled by or dependent on the District's executive and legislative branches (the Board of Supervisors). Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election, or appointment of governing body, and other general oversight responsibility.

The District is a component unit of the Parish of St. Mary.

## SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

### Notes to Financial Statements (continued)

#### Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations. Activities of the District are presented in the accompanying financial statements as follows:

#### PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows in accordance with generally accepted accounting principles similar to businesses in the private sector. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are sewer user and inspection fees. The operating cost of the proprietary fund is all costs associated with the

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

operation of the sewerage system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

#### Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

## SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

### Notes to Financial Statements (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

#### Sewer Treatment System:

Buildings	40 years
System	50 years
Equipment	20 years
Improvements	20 years

Depreciation of all exhaustible capital assets used by the proprietary fund is charged as an expense against its operations.

#### Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

#### Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period. Actual results may differ from these estimates.

#### NOTE 2      COMPENSATION OF BOARD MEMBERS

Board members for Sewerage District No. 9 for the year ended September 30, 2008 served without compensation and are as follows:

Willie Scott, President  
Julius Hebert  
Clifton Charpentier  
Francis Gonsoulin

## SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

### Notes to Financial Statements (continued)

#### NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2008, the District had cash (book balances) totaling \$38,581, as follows:

Demand deposits	<u>\$ 38,581</u>
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These deposits are stated at cost, which approximates market. Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2008, deposits (bank balances) totaling \$38,581 were fully secured by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. Since the District's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

# SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

## Notes to Financial Statements (continued)

### NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 140,392</u>	<u>\$ -</u>	<u>\$ 140,392</u>	<u>\$ -</u>
Other capital assets:				
Buildings	-	140,392	-	140,392
System	6,576,019	-	-	6,576,019
Improvements	43,810	-	-	43,810
Equipment	<u>1,678,832</u>	<u>-</u>	<u>-</u>	<u>1,678,832</u>
Total other capital assets	<u>8,298,661</u>	<u>140,392</u>	<u>-</u>	<u>8,439,053</u>
Less accumulated depreciation for:				
Buildings	-	842	-	842
System	1,148,068	328,800	-	1,476,868
Improvements	8,214	2,191	-	10,405
Equipment	<u>183,961</u>	<u>36,241</u>	<u>-</u>	<u>220,202</u>
Total accumulated depreciation	<u>1,340,243</u>	<u>368,074</u>	<u>-</u>	<u>1,708,317</u>
Other capital assets, net	<u>6,958,418</u>	<u>(227,682)</u>	<u>-</u>	<u>6,730,736</u>
Capital assets, net	<u>\$ 7,098,810</u>	<u>\$(227,682)</u>	<u>\$ 140,392</u>	<u>\$ 6,730,736</u>

Depreciation expense was charged to business-type activities in the amount of \$368,074.

## SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

### Notes to Financial Statements (continued)

#### NOTE 5 INTERGOVERNMENTAL AGREEMENT

On March 1, 1995, the District entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement shall be binding on the District and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides for the designation of the components of the proposed sewerage works as joint-service components and non joint-service components. Non joint-service components service either the District or the Tribe, but not both parties. Joint-service components service both the District and the Tribe. The agreement provides that the District and the Tribe will each be responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The District is responsible for the construction, administration, operation and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility shall be shared equally by the District and the Tribe up to \$425,000 each. If actual construction costs exceed 10 percent of the projected cost to construct the facility, the parties shall have the right to renegotiate the cost sharing arrangements. The Tribe shall contribute a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the District and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the District and one from the Tribe, the District shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The District shall determine, establish and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the District their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The District shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

# SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

## Notes to Financial Statements (continued)

### NOTE 6 BONDS PAYABLE

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
\$1,000,000 revenue bonds	\$ 937,985	\$ -	\$ 12,527	\$ 925,458	\$ 13,103
\$ 100,000 revenue bonds	93,799	-	1,253	92,546	1,310
	<u>\$ 1,031,784</u>	<u>\$ -</u>	<u>\$ 13,780</u>	<u>\$ 1,018,004</u>	<u>\$ 14,413</u>

\$1,000,000 Sewerage Revenue Bonds; due in monthly installments of \$4,540 beginning January 5, 2002; one payment of interest of \$45,000 due December 5, 2001; bond is payable over 40 years; interest rate of 4.50% per annum

\$ 925,458

\$100,000 Sewerage Revenue Bonds; due in monthly installments of \$454 beginning January 5, 2002; one payment of interest of \$4,500 due December 5, 2001; bond is payable over 40 years; interest rate of 4.50% per annum

\$ 92,546

The annual requirements to amortize all debt outstanding at September 30, 2008, are as follows:

Year Ending September 30,	Revenue Bonds			
	\$100,000		\$1,000,000	
	Principal	Interest	Principal	Interest
2009	\$ 1,310	\$ 4,138	\$ 13,102	\$ 41,378
2010	1,370	4,078	13,704	40,776
2011	1,433	4,015	14,334	40,146
2012	1,499	3,949	14,992	39,488
2013 - 2017	8,595	18,645	85,948	186,452
2018 - 2022	10,759	16,482	107,590	164,810
2023 - 2027	13,469	13,772	134,682	137,720
2028 - 2032	16,860	10,381	168,592	103,808
2033 - 2037	21,104	6,137	211,043	61,356
2038 - 2041	16,147	1,214	161,471	12,165
	<u>\$ 92,546</u>	<u>\$ 82,811</u>	<u>\$925,458</u>	<u>\$828,099</u>

SEWERAGE DISTRICT NO 9. OF THE PARISH OF ST. MARY

Notes to Financial Statements (continued)

NOTE 7 RELATED PARTY ACTIVITY

Consolidation

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7. The transfers between the District and Water and Sewer Commission No. 4 were as follows:

Transfers from Water and Sewer Commission No. 4	
Debt retirement	\$ 60,120
Reserve and Contingency Fund	<u>5,992</u>
Total transfers from Water and Sewer Commission No. 4	<u>\$ 66,112</u>



**OTHER SUPPLEMENTARY INFORMATION**

## SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

### Schedule of Number of Sewerage Customers (Unaudited) September 30, 2008

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Records maintained by the District indicate the following number of residential and non-residential sewerage customers were being served during the month of September, 2008 were as follows:

Residential	695
Non- residential	<u>14</u>
Total	<u><u>709</u></u>

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Schedule of Insurance in Force  
(Unaudited)  
September 30, 2008

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7. The insurance for Sewerage District No. 9 is now accounted for in Water and Sewer Commission No. 4 and is as follows:

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2009	\$ 300,000
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employees		3,000,000
Employee Theft	12/11/2009	42,000 per occurrence
Real and Personal Property	2/25/2009	Replacement Cost

## SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

### Schedule of Aged Accounts (Unaudited) September 30, 2008

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Billings and collections relative to revenues and receivables are being accounted for in Water and Sewer Commission No. 4. Aged receivables at September 30, 2008 were as follows:

Under 30 days	\$ 10,507
31 to 60 days	1,165
61 to 90 days	329
91 to 120 days	(36)
Over 120 days	<u>(763)</u>
Total receivables	<u>\$ 11,202</u>

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Schedule of Sewer Rates  
(Unaudited)  
September 30, 2008

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. Effective July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7.

Residential and non-residential:

\$12.50 per month for the first 2,000 gallons

\$2.50 per thousand or part thereof over 2,000 gallons

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*

Tynes E. Mixon, Jr., CPA  
Allen J. LaBry, CPA  
Albert R. Leger, CPA, PFS, CSA\*  
Penny Angelle Scruggins, CPA  
Christine L. Cousin, CPA  
Mary T. Thibodeaux, CPA  
Marshall W. Guidry, CPA  
Alan M. Taylor, CPA  
James R. Roy, CPA  
Robert J. Melz, CPA  
Kelly M. Doucet, CPA  
Cheryl L. Bartley, CPA, CVA  
Mandy B. Self, CPA  
Paul L. Delcambre, Jr., CPA  
Wanda F. Arcement, CPA  
Kristin B. Douzat, CPA  
Richard R. Anderson Sr., CPA  
Carolyn C. Anderson, CPA

Retired:  
Conrad O. Chapman, CPA\* 2006  
Harry J. Ciofalo, CPA 2007

\* A Professional Accounting Corporation

## OFFICES

183 South Beadle Rd. Lafayette, LA 70508 Phone (337) 232-4141 Fax (337) 232-6660	450 East Main Street New Iberia, LA 70560 Phone (337) 367-9204 Fax (337) 367-9208
113 East Bridge St. Breaux Bridge, LA 70517 Phone (337) 332-4020 Fax (337) 332-2867	200 South Main Street Abbeville, LA 70510 Phone (337) 893-7944 Fax (337) 893-7946
1234 David Dr. Ste 203 Morgan City, LA 70380 Phone (985) 384-2020 Fax (985) 384-3020	1013 Main Street Franklin, LA 70538 Phone (337) 828-0272 Fax (337) 828-0290
408 West Cotton Street Ville Platte, LA 70586 Phone (337) 363-2792 Fax (337) 363-3049	133 East Waddil St. Marksville, LA 71351 Phone (318) 253-9252 Fax (318) 253-8681
332 West Sixth Avenue Oberlin, LA 70555 Phone (337) 639-4737 Fax (337) 639-4568	621 Main Street Pineville, LA 71360 Phone (318) 442-4421 Fax (318) 442-9833

WEB SITE:  
[WWW.KCSRPCAS.COM](http://WWW.KCSRPCAS.COM)

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors  
Sewerage District No. 9 of the Parish of St. Mary  
Charenton, Louisiana

We have audited the financial statements of the business-type activities of Sewerage District No. 9 of the Parish of St. Mary (hereinafter "District") as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies identified as items 2008-01 and 2008-02 and described in the accompanying schedule of audit results and findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiencies described above as item 2008-01 to be a material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying corrective action plan for current year findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the District's Board of Commissioners, the Louisiana Legislative Auditor, management and others within the organization and is not intended to be and should not be used by anyone other than those specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 5, 2009



SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings  
Year Ended September 30, 2008

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

The audit disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

2008-01 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU §314.43 defines internal control as follows:

*"Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.*

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2008

2008-02 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: SAS112, *Communicating Internal Control Related Matters Identified in an Audit*, AU §325.18, states in pertinent part:

“Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

- Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.”

Furthermore, AU §325.32 identifies the following as a deficiency in the design of (internal) controls:

“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions or preparing its financial statements.”

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: No recommendation forwarded. The additional costs required to achieve the desired benefit may not be economically feasible.

Part III: Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the District.

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Summary Schedule of Prior Year Findings  
For the Year Ended September 30, 2008

A. Internal Control Findings-

2007-01 Finding: Inadequate Segregation of Accounting Functions

Status: See current year finding 2008-01.

2007-02 Finding: Inadequate Application of GAAP (generally accepted accounting principles)

Status: See current year finding 2008-02.

B. Compliance Finding-

No instances of noncompliance were noted in prior year.

SEWERAGE DISTRICT NO. 9 OF THE PARISH OF ST. MARY

Corrective Action Plan for Current Year Findings  
For the Year Ended September 30, 2008

Response to Finding 2008-01:

No response is considered necessary.

Response to Finding 2008-02:

The District has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interest of the District to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.